

HUMAN RESOURCES MANAGEMENT PRACTICES AND JOB SATISFACTION

IN CRITICAL ECONOMY: AN EMPIRICAL STUDY OF

PRIVATE BANKING SECTOR OF SAUDI ARABIA.

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ABSTRACT

Human resources are considered to be a critical organizational resource that facilitates an organization to sustain its effectiveness and value. Banking sector in Saudi Arabia is facing furious competition, economic crisis and Saudization as far as human resources are concerned. In such a competitive business environment getting and retaining productive employees is complicated tasks when competitors are struggling for attract human resources from other organizations by providing attractive compensation and promotional plans. In order to retain productive employees it should be ensured that they are satisfied from the human resource practices prevailing in the concerned organization. The purpose of present study is to analyze and achieve a better understanding of the impact of human resource practices on job satisfaction among the employees of private sector banking in Saudi Arabia. The present study was conducted on 146 employees of private banking sector and the multiple linear regression models is applied to assess the influence of HRM practice such as training, performance appraisal, team work, employee participation and compensation on job satisfaction of the employees. The analytical results of the study revealed that training has no significant influence on job satisfaction whereas, other HRM practices like performance appraisal, team work, employee participation and compensation have positive and significant influence on the job satisfaction.

KEYWORDS: Compensation, Employee Participation, Job Satisfaction, Performance Appraisal & Training and Team Work

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INTRODUCTION

Saudi Arabia has a very strong economic condition but because of long reduced crude oil price shock the country economy is suffering and they are looking for some alternate source of arrangement and also making big changes in the policies and procedures to manage the effect. And in this economically critical business environment human resources are considered very vital as machine and material for the success of any organization in general and banking sector in particular. Human resources are capable to convert the machine and material in to output, therefore, human resources are considered as most valuable for the sustainable competitive advantage. The better understanding of relationship between the HRM practices such as performance appraisal, working conditions, training, employee participation, team work, compensation and job satisfaction is essential for planning and to prioritizing the organizational goal. HRM practices are part conceptual, part implementation of an HR strategy, comprised of systems that follow the normal or customary way of doing business. Beerdwell et al. (1984) opined, "HRM as a strategic approach to the management of human resources that encompasses all

management decisions and activities, that influence the relationship between the organization and employees". Minbaeva (2005) opined that "HRM practices is a mechanism used by business organization to ensure managerial effectiveness through facilitating the development of competencies that are firm specific, produce complex social relation and generate organization knowledge to sustain competitive advantage." HRM practices are set of practices and philosophy used by an organization to retain the human resources for the effective functioning and growth of the organization. Delery and Doty (1996) highlighted that, HRM practices is an initial attempt to provide managers to effectively placing right personnel at the right job at the right time. HRM practices is conceptualized as combination of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives. In any organization HRM practices focuses on optimal utilization and management of their human resource effectively in order to achieve organizational objectives. HRM practices refer to strategies aimed at managing the human resource and ensuring that are deployed in order to improve the organizational performance (Schuler and Jackson, 1987). HRM practices are basically related to Organizational policies and practices, philosophies and systems that are developed to attract, develop, motivate, and retain the employees who ensures the excellent functioning and survival of the organization in rapidly changing business scenario.

The satisfaction at work has been characterized as a positive or pleasing emotional state which emerges as the result of evaluating one's work or experiences in the workplace. Job satisfaction is a critical indicator of how employees feel about their job and describes how much they are contented with his or her job. Job satisfaction is the positive feelings about a job, resulting from an evaluation of its characteristics (Robbins & Judge, 2013). The satisfaction level of employees also related with increased effectiveness of the organization. Job satisfaction of an employee is essential to the success of an organization. Thus, keeping employees' satisfaction in their jobs with their careers should be a paramount priority for all the organizations. Several research studied has been conducted by different researcher to find out the universally accepted approach to manage the Human resources. But depending upon the external as well internal environment factors different approaches were applicable for a particular organization as per need of the business requirement. The objective of this study is to investigate and evaluate the influence of human resource management practices on job satisfaction of bank employees.

REVIEW OF LITERATURE

The prime purpose of the present study is to investigate Human Resource Management practices and job satisfaction in context to success of an organization. The academicians, researchers and policy makers have conducted several researches in the related field over different periods of time. Numerous researches have revealed that HRM practices and job satisfaction factors play crucial role in the assessment for employee performance. In the present study an effort has been made to investigate the relationship between the HRM practices and job satisfaction.

Lee and Lee (2007) opined that HRM practices such as training and development, teamwork, compensation, HR planning, performance appraisal, and employee security leads to improvement in organizational performance including output of employees and quality of product. Katou, (2008) carried out a study, to assess the influence of HRM practices on organizational performance in manufacturing sector of Greece. The HRM practices viz-a-viz resourcing and development, compensation and incentives, involvement and job design had influenced on the organizational performance. The study concluded that HRM practices are associated with business strategies will affect organizational performance. Senyucel's (2009) describe "Human Resource Management as a combination of workers oriented management practices that identify

employees as assets. Its objectives are to facilitate and enable talented and committed workforce to the organization in order to achieve the organizational goals.” Ozutku and Ozturkler (2009) conducted a study, to investigate the influence of various external and internal factors on HR practices. The study revealed that these factors influence significantly across the countries. HRM practices like job definition, training and development, compensation, team work and employees participation were better in the public universities as compared private universities. Stewart and Brown (2011) conducted a study to judge effectiveness of HRM on the workforce and the results of study revealed that, effective HRM procures qualitative workers and motivates them to maximize their performance and helps to meet their emotional and social needs.

Beardwell et al., (2004) summarised the Human Resource Management activities, viz-a-viz organizational design, staffing, performance management appraisal, employment training and organization development and reward systems, benefits and compliance. Human resource management denotes to the policies and practices encompassed in carrying out the human resources characteristics of a management position including human resource planning, job analysis, recruitment, selection, compensation, performance appraisal, training and development, and labour relations (Dessler, 2008). Awang et al. (2010) evaluated the impact of job satisfaction of university lecturers using the variables such as promotional prospects, compensation, working conditions, workload, team work and management style. The results revealed that promotional prospects, workload and team work significantly affect job satisfaction of lecturers. In a study on public sector universities of Pakistan. Padala (2010) examined the search to identify the various parameters for employee job satisfaction and organizational commitment. The results revealed that employees have a positive tendency in their intensity of obligation towards their organization. Age, education, nature of the job, length of service and income have negative relationship between the employee’s job satisfaction and organizational commitment.

There is greater degree of association between job satisfaction and use of specific HR practices in local government organizations in the United Kingdom (Gould, 2003). Singh (2004) conducted a study to investigate relationship between HRM practices and firms level performance in India. In this study he included 359 firms listed in the Center for Monitoring India Economy and 82 respondents replied positively. The results of regression and correlation analysis revealed at there is significant relationship between the HR practices namely training and compensation and perceived organizational and market performance. Ray and Ray (2011) highlighted in their study that variables like performance appraisal, participation in decision making, training and development, empowerment, compensation influencing human resource management practices have significant close association with job satisfaction. Martin (2011) carried out a research to investigate the impact of HRM practices on job satisfaction, organizational commitment and influence on intention to quit. HRM practices include recruitment & hiring, compensation & benefits, training & development, and supervision & evaluation. The study concluded a significant relationship between perceptions of human resource practices and intention to quit, mediated by organizational commitment and job satisfaction. Iqbal, et al. (2011) evaluated the relationship between HR practices (impact of supervisor role, participation in decision making & compensation policy) and employee’s job satisfaction among the employees of manufacturing and service sector of Pakistan. The results of study revealed that supervisor role has strong positive effect on job satisfaction. The employee’s participation in decision making which is the determinant factor about organizational success has lesser positive effect on job satisfaction. Islam et al (2016) conducted a study on 100 employees of hotel industry and found that HRM practices are positively related with job satisfaction but found that compensation has negative effect on job satisfaction, which indicates that most of employees are not satisfied from payment of employer and hence affecting job satisfaction.

OBJECTIVES OF THE STUDY

After reviewing the available literature and discussion it was decided to frame the main objectives of this study as to find out the prevailing HRM practices and job satisfaction status and analyze the impact HRM practices viz. Training, Performance Appraisal, Team Work, Employee Participation and Compensation on job satisfaction among private bank employees.

RESEARCH METHODOLOGY

The present study is an attempts to analyze and evaluate influence of human resource management practices on job satisfaction among private bank employees of Saudi Arabia. In order to investigate the impact of Human resource management practices on Job Satisfaction the below given null hypotheses have been developed.

Formation of Hypotheses

H₀₁: Training has no significant influence on job satisfaction.

H₀₂: Performance Appraisal has no significant influence on job satisfaction.

H₀₃: Team work has no significant influence on job satisfaction.

H₀₄: Eemployees' Participation has no significant influence on job satisfaction.

H₀₅: Compensation has no significant influence on job satisfaction.

Sampling Procedure

The study was conducted in Makkah and Riyadh region and selected questionnaire were distributed to 160 respondents randomly selected for obtaining the relevant information. For gathering information from the employees a well structured questionnaire was used personally by the researchers. But due to busy time schedules of bank employee and their engagement in various activities the investigators were able to obtain the information form 146 employees only. For obtaining the other required and related information the investigators followed unstructured personal discussion and interview method.

The questionnaire followed in this study was adapted from Qureshi and Ramay (2006) scale comprised of 25 items, which contained statements on training, team work, performance appraisal, compensation, and employee participation. HRM practices were also abstracted from the instrument developed by "Feng-Hui Lee and Tzai-Zang Lee" (2007) who conducted a study to investigate the relationship between HRM practices and performance. The reliability and validity of the instrument was found to be within acceptable norms. For measurement of Job Satisfaction scale developed by Singh (1989) containing 20 items was used. Respondents were asked to express their level of agreement or disagreement with each statement on 5-point Likert scale.

Conceptual Framework

Training

The concept of training& development refers to any effort to improve current and future skills, knowledge and abilities of employee (Aswathappa, 2008). Flippo (1971) posited that, training is an act of increasing the knowledge and skill of an employee, for doing a particular job. Beach (1980) stated that, Training is an organized practice, by which people learn knowledge and skills for a certain purpose.

Performance Appraisal

The performance appraisal is a human resource management practice that has attracted significant attention from both practitioners and scholars (Fletcher, 2001). A performance appraisal is a systematic and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre- established and organizational objectives (Manasa, 2009). The application of performance appraisal are promotion, termination, test validation, and performance improvement therefore, improving performance appraisal for everyone should be among the highest priorities of contemporary organization (Muczky 1987).

Team Work

To the achiever of any business efficient teamwork is necessary. As “no man is an island” complete organization can be stimulate due to good effects of fertile teamwork and organization can be lame due to bad effects of deficient teamwork. Korner et al (2015) conducted a study on 272 employees of health rehabilitation centre in Germany and found a positive relationship between high sense of team work and job satisfaction.

Employee Participation

Employee participation is the process whereby employees are involved in decision making processes, rather than simply acting on orders. Employee participation is part of a process of empowerment in the workplace. The best way to improve output is by being determined for the shared goals of employees and managers. By allowing employees input into developing the mission statement, establishing policies and procedures, determining perks etc., leads to improvement in communication and enhancement of morale and satisfaction of employees. Zhu et al (2014) conducted a study on young generation of China working in manufacturing sector and found that the participation of such new generation employees in management, supervision and decision-making has a significantly positive impact on their work satisfaction.

Compensation

Compensation refers to all types of pay or reward going to employees and arising from their employment (Dessler,2008). Organ (1994) revealed that positive and negative awareness about the salary plays a vital role towards job satisfaction. Low level of salary satisfaction affects the job performance. Mabaso and Dlamini (2017) conducted a study on 279 academic staff and found that compensation has positive relationship with job satisfaction but significant relationships were found between benefits and job satisfaction.

RESULTS AND DISCUSSIONS

Table 1: Showing Mean and SD on the Dimensions HRM Practices and Job Satisfaction

(N-146)

S.N.	DIMENSIONS	MEAN VALUE	RANKING	S.D.
1	Training & Development	3.28	I	647
2	Performance Appraisal	2.84	V	638
3	Team Work	3.07	IV	615
4	Employee Participation	3.18	II	627
5	Compensations	3.10	III	757
6	Total HRM Practices	3.09		859
7	Job Satisfaction	3.64		541

As shown in the Table 1 the employees of private banking sector are showing moderate level of satisfaction on prevailing HRM practices among them training and development were found to be highest followed by employee

participation, compensation and team work while performance appraisal practices were found at lowest. Job satisfaction were found to be moderately high among them.

In order to analyze the influence of human resource management practices on job satisfaction the multiple linear regression model is applied. The regression model is illustrated as below:

$$\text{Job Satisfaction}_{it} = \beta_0 + \beta_1 (\text{Training}) + \beta_2 (\text{Performance Appraisal}) + \beta_3 (\text{Team Work}) + \beta_4 (\text{Employee Participation}) + \beta_5 (\text{Compensation}) + e_{it}$$

In the above regression equation β_0 is constant and β_i are the regression coefficient of the explanatory variables, while e_{it} is the residual error of regression.

Dependent and Independent Variables

In regression model the Job Satisfaction of bank employees is taken as dependent variable. The independent variables Training, Performance Appraisal, Team work, Employee Participation and Compensation are used in model.

Regression Results

In order to analyze the existence of multicollinearity problem, the simple correlation matrix among independent variables is analyzed and results are depicted in the table (2). Cooper and Schindler (2003) mentioned that, multicollinearity problem exists, when coefficient of correlation among variables are 0.8 or more.

Table (2)

	Job Satisfaction	Training	Performance Appraisal	Team Work	Employee Participation	Compensation
Job Satisfaction	1.000					
Training	.230*	1.000				
Performance Appraisal	.363*	.232*	1.000			
Team Work	.221*	.145*	.549*	1.000		
Employee Participation	.448*	.323*	.467*	.594*	1.000	
Compensation	.379*	.033*	.445*	.553*	.505*	1.000

*Indicates correlation significant at level 5%

From the table 2 it can be inferred that all HRM practices variables have low correlation indicating the absence of multicollinearity. The results from correlation analysis highlight that job satisfaction of employees has positive correlated with training, performance appraisal, employee participation, team work and compensation.

REGRESSION ANALYSIS RESULTS AND DISCUSSION

The results of regression analysis are depicted in the regression equation form based on regression coefficients are as below:

$$P_{it} = 2.053 + 0.084 (\text{Training}) + 0.174(\text{Performance Appraisal}) - 0.216(\text{Team Work}) + 0.293 (\text{Employee Participation}) + 0.178(\text{Compensation})$$

The significance of Regression Coefficients and their Respective t-Values are Presented in the Table (3).

Table (3):

Explanatory Variables	Constant	Training	Performance Appraisal	Team Work	Employee Participation	Compensation
β_i	2.053* (0.000)	0.084 (0.194)	0.174* (0.023)	-0.216* (0.016)	0.293* (0.001)	0.178* (0.007)
T-Values	7.516	1.306	2.297	-2.448	3.476	2.731

(*) indicates significant at 5% level.

The analysis of regression results reflects that independent variables Training has no significant effect on job satisfaction at 5% level of significance though it was to be ranked I by the employees in HRM practices but it appears that the training is not properly linked with the job requirement hence not inducing element of satisfaction. Other independent variables influencing HRM practices such as Performance Appraisal, Team Work, Employee Participation and Compensation are statistically significant at 5% significance level indicating positive influence on job satisfaction means if we increase the level of these four HRM practices component go up which is currently at moderate level the job satisfaction level among the employees will also go high and that high job satisfaction will leads to better performance of the employees of private banks of Saudi Arabian.

The results of our study highlights that the independent variable training has insignificant influence on Job Satisfaction. The value of regression coefficient for variable training is 0.084, which is statistically insignificant at 5% level of significance. This implies the acceptance of null H_{01} . It indicates that Training has no significant influence on Job Satisfaction in private in private sector banks of Saudi Arabia.

The regression coefficients for independent variables are Performance Appraisal (0.174), Team Work (0.216), Employee Participation (0.293) and Compensation (0.178) respectively. All these regression coefficient are statistically significant at 5% significance level. Thus, the null hypotheses H_{02} , H_{03} , H_{04} and H_{05} are rejected and, in summary regression results support that Performance Appraisal, Team Work, Employee Participation and Compensation have significant influence on Job satisfaction in HRM practices.

CONCLUSION AND RECOMMENDATION

Human Resource management theory reveals that there are several factors which influence job satisfaction of the employees. The employees with high level of job satisfaction have positive attitude towards their works and contribute significantly in their respective organizations. The dissatisfied employees possess negative attitude and their contribution in the performance is minimum. The literature on this subject highlights that their numerous factors contributing to job satisfaction of employees. In the present study, we have made an attempt to analyze the effect of HRM practices such as Training, Performance Appraisal, Team Work, Employee Participation and Compensation on job satisfaction and found that employees were shown moderate level of satisfaction on training and development, employee participation and compensation but were not found satisfied with performance appraisal practices. The results of the study also infer that among the factors like training has no significant influence on Job Satisfaction, where as other variables have significantly influenced the level of job satisfaction in the private banks of Saudi Arabia. The findings of our study are in co inference with the several studies presented in the review of literature. From the discussion of the above results it has been recommended that the bank should confer special emphasis on training to improve the job satisfaction of the employees. Further, the bank should also intensify the other HRM practices to further enhance the level of job satisfaction of the employees.

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